

Proactive Compendia Review For Product Misinformation

Medscape
REFERENCE**epocrates®**
an athenahealth service**Lexicomp®****WebMD****Drugs.com**
Know more. Be sure.

Situation

- HCPs and consumers rely on drug information, often from online drug information compendia (ODIC), to help inform clinical decisions making
- ODIC may contain misinformation, posing potential patient safety concerns.

Action

- Medical Information Pharmacists compare on-label content in ODIC drug summaries with the product prescribing information (FPI) to identify errors.
- Errors classified as inaccurate, incomplete, or omitted.
- Content-correction requests submitted to ODIC editors

Business Result

- Purdue Product Compendia Review:
 - Reviews of Purdue opioid drug summaries within 7 ODIC between 4Q11-3Q13 revealed 859 errors
 - Resolution of errors: 28% as of 4Q13.
 - Publication: tentatively accepted in *Journal of Opioid Management*
- Collaborative Compendia Review Project:
 - 11 pharmaceutical companies participated in review of 270 drug summaries within 5 ODIC
 - Median of the total number of errors identified was 782
 - Resolution of errors for Purdue products: Pending
 - Publication: *Annals of Pharmacotherapy*. 2016; 50(5):352-359

Verifying Purdue Product Abuse Deterrent property designation in electronic health records

19-23549-shl Doc 2418-2 Filed 02/25/21 Entered 02/25/21 14:22:11 Exhibit
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Backup

Situation

- Nearly half of HCPs do not know that OxyContin and Hysingla ER have abuse-deterrent properties (ADP)
- 80% of physicians prescribe via electronic health records (eHRs)
- eHR drug names and/or drug descriptions may not have ADP designation for OxyContin or Hysingla ER

Action

- Identify top 10 eHRs and evaluate 'pick list' drug names and/or drug descriptions for OxyContin and Hysingla ER for ADP designation
- Address gaps



Business Result


- Update the OxyContin and Hysingla ER drug name listings to reflect their abuse-deterrent properties in drug databases serving 85% of the installed ambulatory eHRs in the USA
- Increase HCP awareness as to OxyContin and Hysingla ER having ADP at point of drug selection

Medi-Span®

Product Name: OxyCONTIN Oral Tablet ER 12 Hour Abuse Deterrent 10 MG
Drug Name: Oxycodone HCl
Drug Name and Dosage Form: Oxycodone HCl Tablet ER 12 Hour Abuse-Deterrent

Redacted

Multichannel Customer Communications

Situation	<p>Health Care Professionals and consumers rely on drug information to help inform clinical decisions making</p> <p>Increase in use of online compendia and technology to obtain drug information</p> <p>Need to anticipate customer needs based on audience, time zone, preference on how/where to receive information</p>
Action	<ul style="list-style-type: none"> Offer HCPs and consumers multiple channels to obtain accurate and reliable drug information for Purdue products on-demand via www.AskMedicalServices.com: <ul style="list-style-type: none"> Submit an Inquiry (live) Request a Call Back (live) Schedule a Videoconference (live) Click to Chat (3Q16) <div data-bbox="1244 605 1850 739">  </div>
Business Result	<ul style="list-style-type: none"> AskMedicalServices.com and 'Schedule a Videoconference' launched March 2016 Proactive awareness initiatives included: <ul style="list-style-type: none"> Tweets Bulletin to the Sales Force/eMIRF update Inclusion of www.AskMedicalServices.com on all medical response letters Press release (TBD) Email blast to HCPs (in progress) PurduePharma.com callout for www.AskMedicalServices.com (in progress) 'Ask Medical Services' Banner ads on compendia websites (in progress) 'Ask Medical Services' Sponsorship for Contact Manufacturer sections of compendia websites/apps (in progress) Utilization and impact TBD

June 8, 2016

▪ Strategic overview	Mark Timney	25 minutes
▪ Evolving US Environment	Raul Damas	20 minutes
▪ US Pain Portfolio Strategy	Saeed Motahari	45 minutes
▪ Medical Strategy	Gail Cawkwell	10 minutes
▪ OTC Strategy	Saeed Motahari	15 minutes
▪ BD priorities	Alan Butcher	10 minutes
▪ R&D Vision & Pipeline	Alan Dunton	30 minutes
▪ Financial outlook	JJ Charhon	25 minutes

A close-up, black and white photograph of several interlocking puzzle pieces. The pieces are arranged in a way that creates a sense of depth and texture, with some pieces slightly raised or recessed. The lighting highlights the edges and the interlocking shapes of the pieces.

OTC Strategy

Saeed Motahari

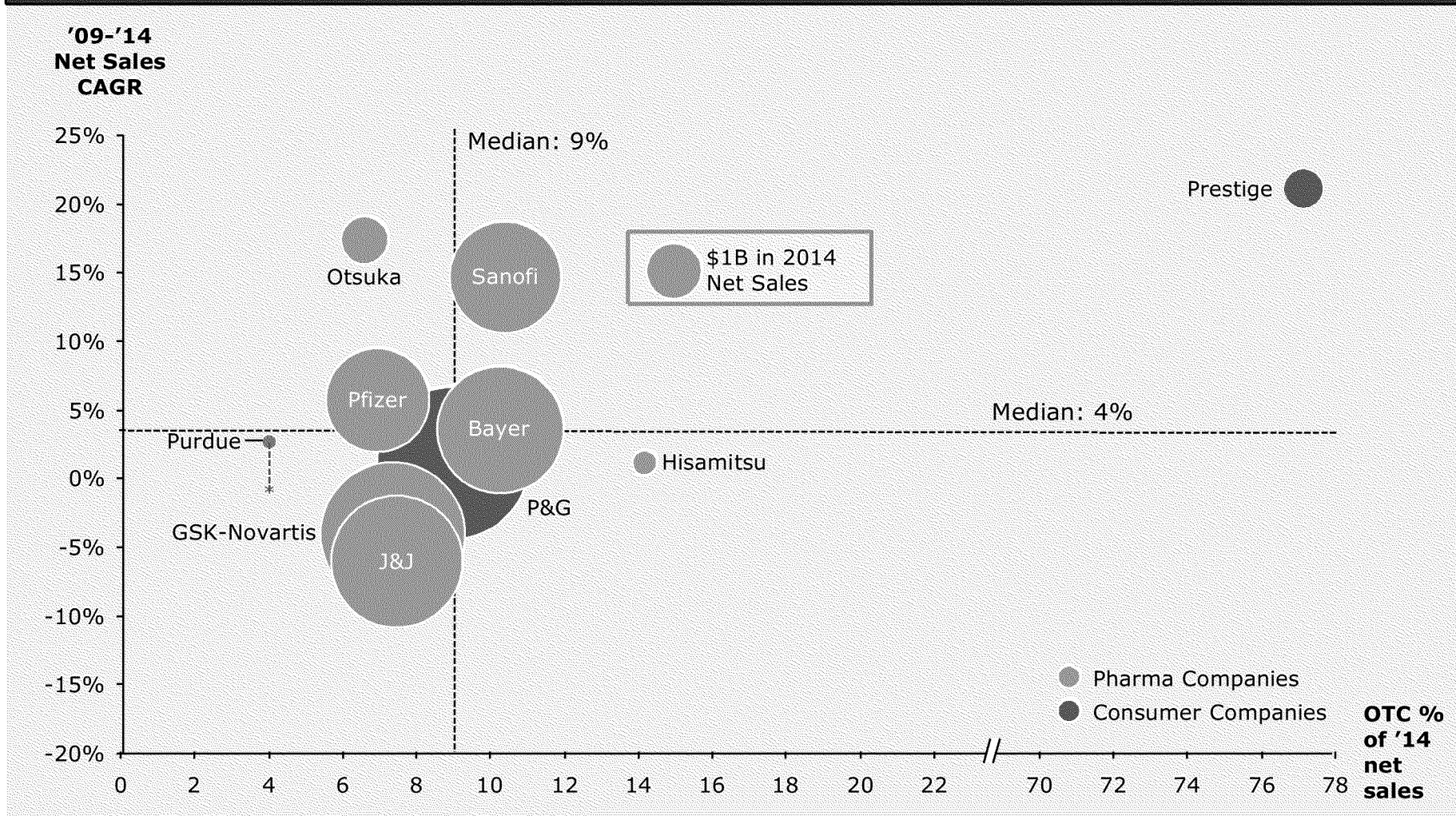
June 8, 2016

Executive Summary

- Purdue's OTC business has historically grown at a slower pace than the overall industry
- Last year, the Board granted us an additional \$14M to spend over 5 years to stabilize the business and increase cumulative net sales \$35M by 2020
 - Achieved \$4M of \$35M by end of 2015 (6% net sales growth year-over-year)
- While the trajectory is starting to improve, we have identified additional tactics that can further accelerate growth
 - Distribution and pricing/price-pack-architecture have significant room for improvement
 - These growth opportunities require limited investment and yield near-term benefits compared to other options
- Overall, the team recommends a phased approach to **strengthen and extend** the core in order to prepare for a **transformational** acquisition
 - Strengthen the Core: Invest in key capabilities in 2016 to increase net sales to \$100M by 2020
 - Extend the Core: Execute line extensions/tuck-in acquisitions starting in 2017 to reach \$110M of net sales by 2020
 - Transform the Core: If the business has proven it can support organic growth, pursue transformative acquisitions to reach \$200M of net sales by 2020

Purdue has grown below its peers and remains modest in terms of size and OTC revenue concentration

Public companies with presence in US OTC



Source: CapitalIQ; Company 10-Ks and Corporate Presentations

* Indicates '11-'14 net sales CAGR

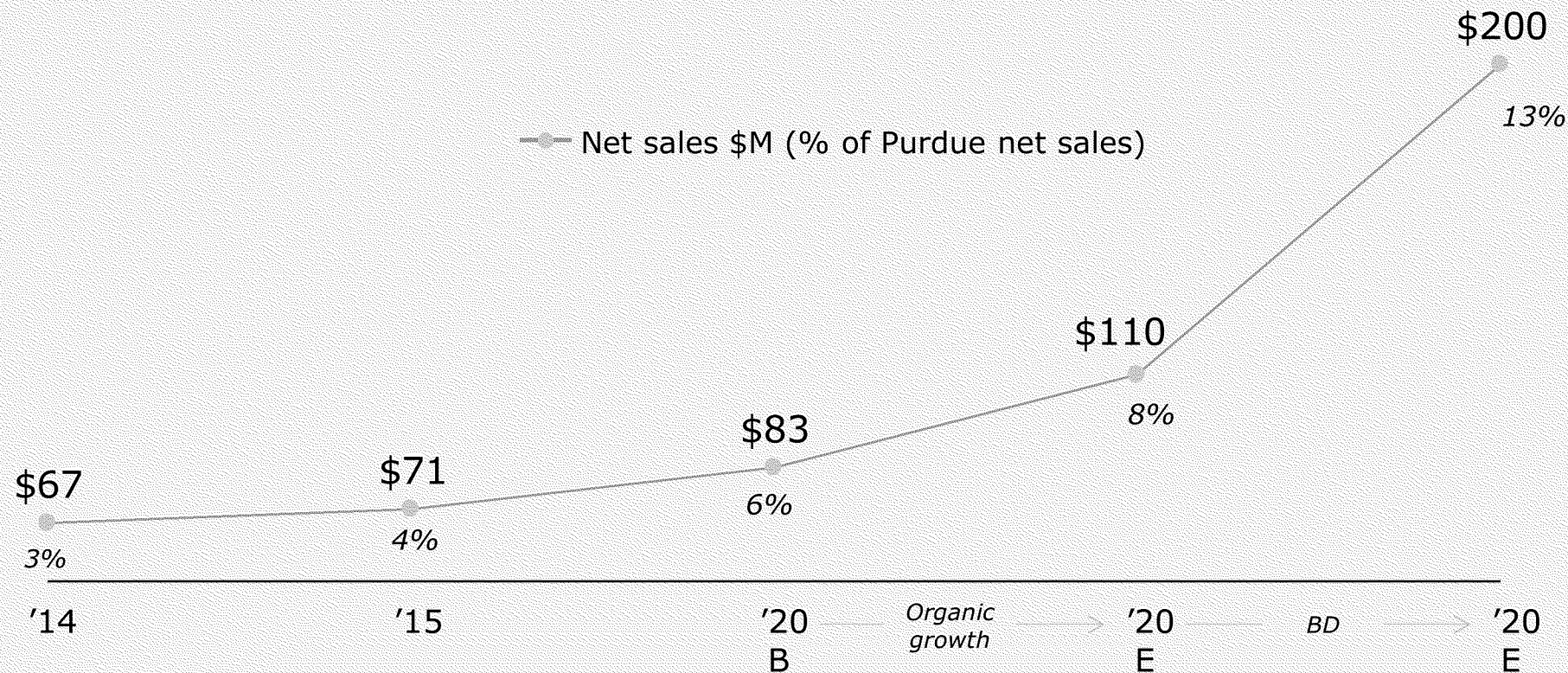
Our vision is to grow the OTC business to \$200M by 2020

**From: Sub-scale OTC BU
within an Rx business**

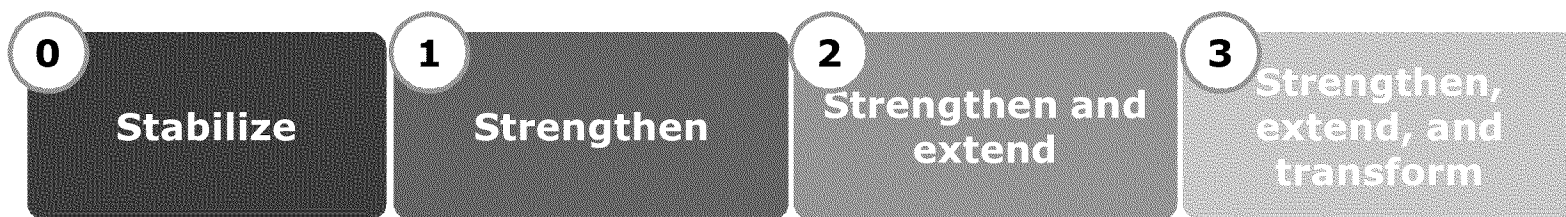
\$67M (3%)

**To: Scaled OTC business as part
of integrated Pharma company**

\$200M (13%)

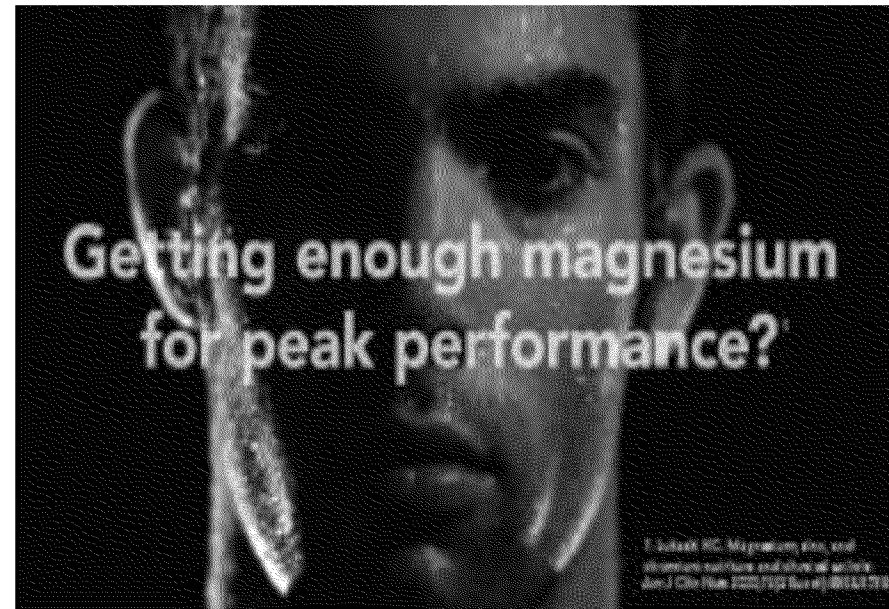
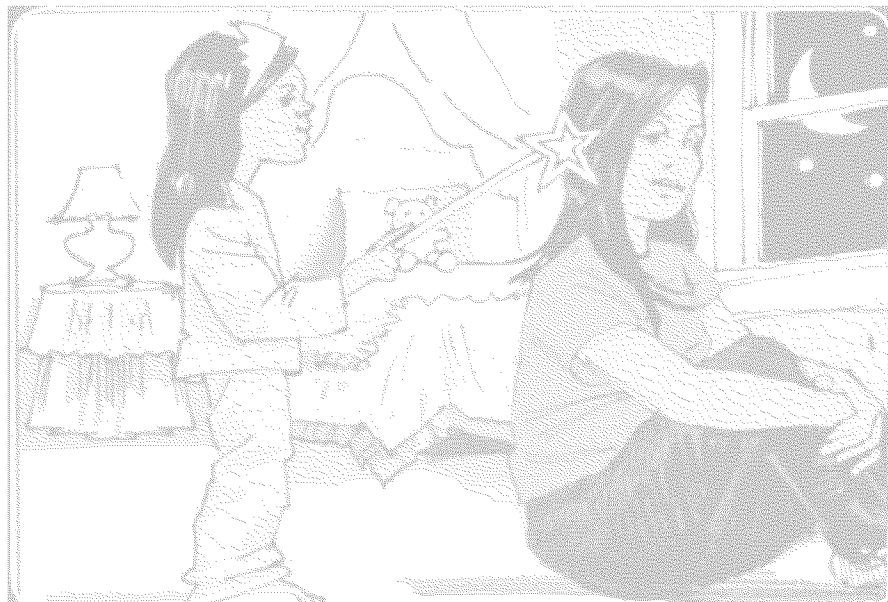



The following tactics will enable us to execute this plan



Timing	<ul style="list-style-type: none"> ▪ In progress 	<ul style="list-style-type: none"> ▪ 2016 	<ul style="list-style-type: none"> ▪ 2016 (strengthen) ▪ 2017 (extend) 	<ul style="list-style-type: none"> ▪ 2016 (strengthen) ▪ 2017 (extend) ▪ 2017-18 (transform)
Description	<ul style="list-style-type: none"> ▪ Execute quick wins to re-ignite growth 	<ul style="list-style-type: none"> ▪ Invest in key consumer-facing capabilities 	<ul style="list-style-type: none"> ▪ Extend presence in current categories 	<ul style="list-style-type: none"> ▪ Execute transformative BD deals
Activities	<ul style="list-style-type: none"> ▪ New OTC personnel and salesforce ▪ Re-stage for Colace and Senokot 	<ul style="list-style-type: none"> ▪ Broker management ▪ Pricing strategy ▪ Price-Pack-Architecture 	<ul style="list-style-type: none"> ▪ Line extensions ▪ Tuck-in BD 	<ul style="list-style-type: none"> ▪ Acquisition of under-managed brands ▪ Value creation

To help stabilize the core, we are investing in methods to get more consumers to the retailers...





SLOW-MAG

Setting Your Level.

We believe your patients will want to know more about magnesium, and will be interested in the materials in this Level Set kit.

In a multinational survey of chiropractic patients seeking care, more than 40% reported a preference for care targeted at health enhancement or disease prevention.¹

About 487,000 results (0.68 seconds)

Shop for stool softener on Google

				
Dulcolax Gentle Stool	Colace® Docusate	MiraLAX Laxative	Equate Stool Softener	Pharm
\$4.99	\$12.40	\$11.99	\$2.84	Score
Target	HealthWare	Walgreens.com	Walmart	Drugs
★★★★★ (4)		★★★★★ (137)		★

#1 Stool Softener Brand - colacecapsules.com

www.colacecapsules.com/

With Both Doctors and Pharmacists For Occasional Constipation

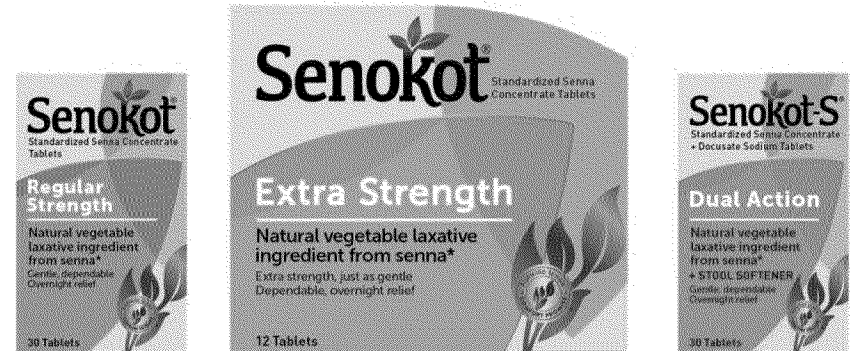
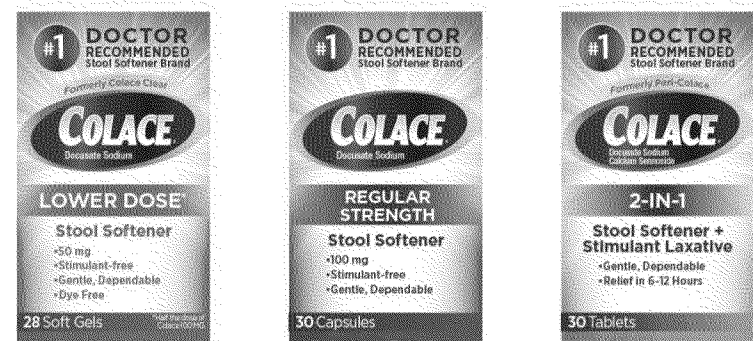
Colace Clear™ Soft Gels - Senokot® Tablets - Senokot-S® Tablets

...as well as ways to make the decision at the shelf easier through new product packaging

Before



After



- Cohesive family with clear distinctions between each line
- Contrasting colors to make the packaging more eye-catching

Investing in key capabilities such as distribution and price optimization will help to strengthen the core

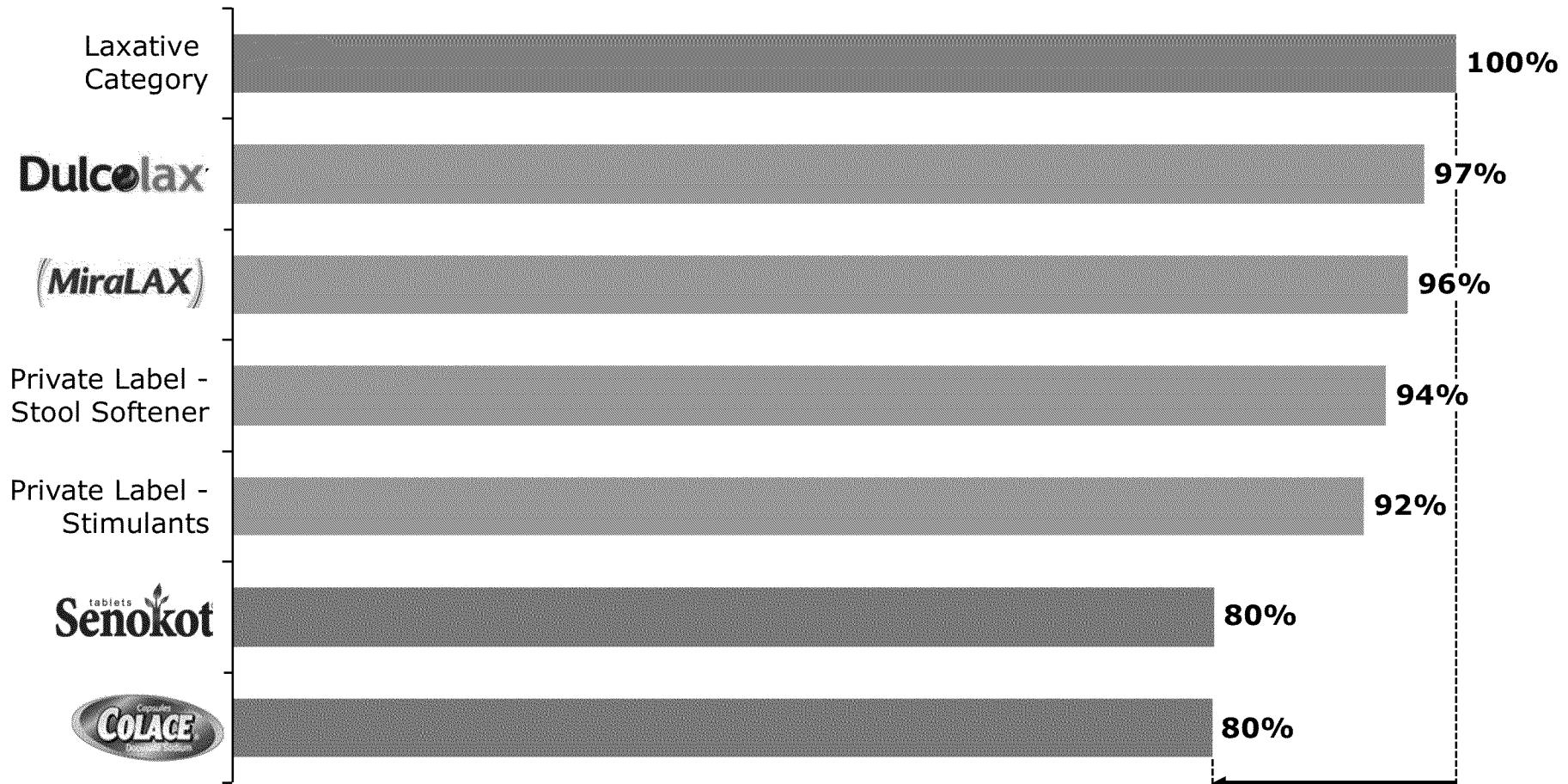
	Volume			Price
	# Stores	# Products	Velocity	
A Channel / distribution expansion				
	- Mainstream channels			
	- Specialty channels			
B Pricing and Price-pack-architecture				
	- Relevant pack sizes at optimal prices			
	- End-to-end pricing strategy			

20% of stores sell laxatives but do not sell Purdue's products

19-236495-1 Doc 2X18-2 Filed 02/25/21 Entered 02/25/21 14:22:11
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A Channel / distribution expansion

U.S. laxative distribution



Source: IRI




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PPLPC045000018311

Closing distribution gaps through developing broker management capabilities can drive top-line growth

A Channel / distribution expansion

 Not started Complete

Broker management best practices

Purdue status

▪ Distribution in channels beyond FDM

- Currently growing FDM distribution beyond existing customers
- Next area of focus will be Club, Specialty and Convenience



▪ Joint business planning

- Plan and execute sales planning process as a combined team
- Hold quarterly review with OTC leadership



▪ Proper incentive structure

- Pay for performance model: base incentive plan + a kicker for overachieving targets (and penalty for underachievement)



▪ Business Intelligence

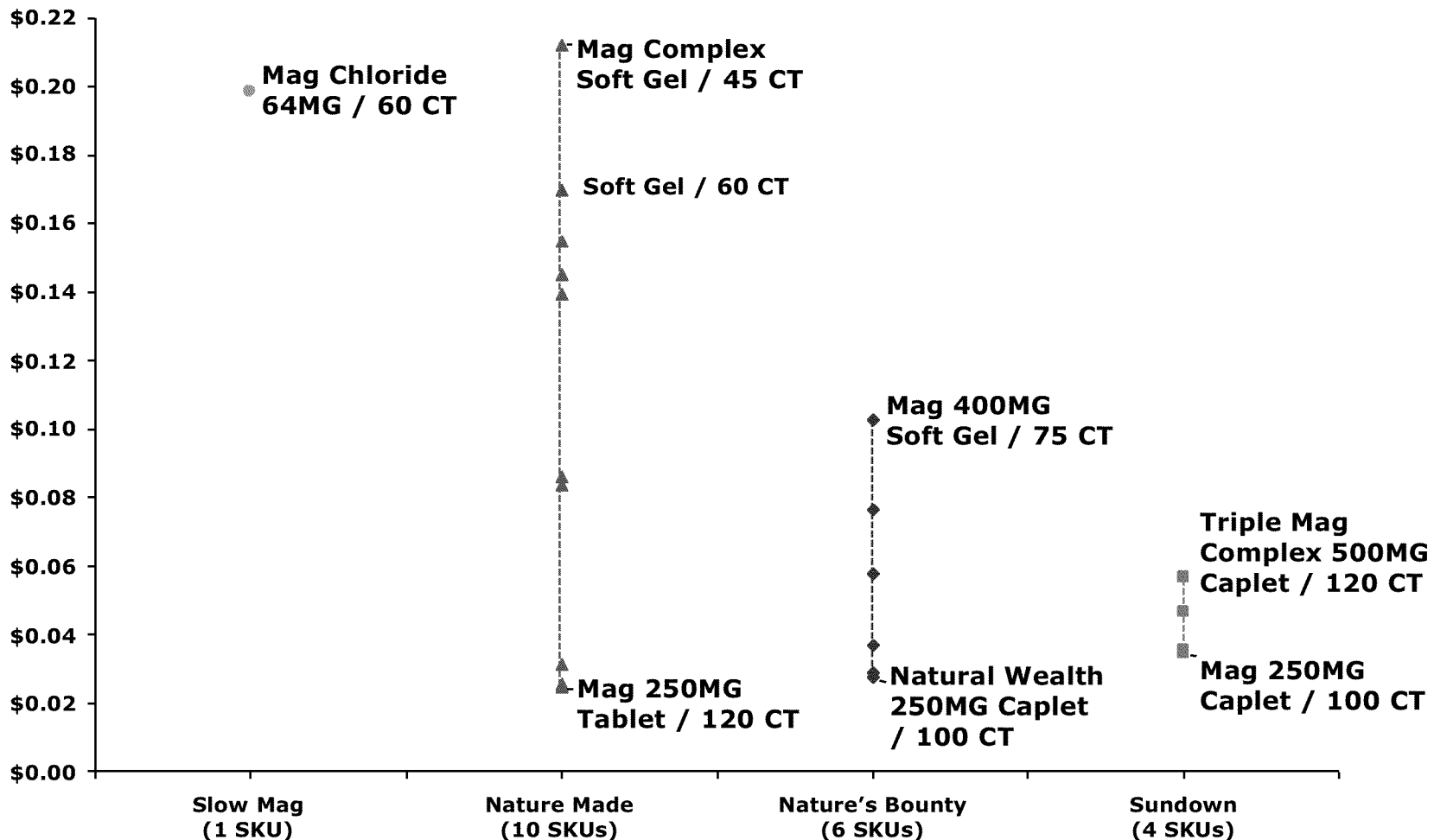
- Technology to track, report and analyze activities and create store-level insights
- Improve merchandising via store checks



Slow Mag is priced at a significant premium to competitors, stemming in part from a lack of bulk and value packs

B Pricing and price-pack-architecture

Price-pack-architecture for select magnesium brands (\$ per tablet)



Source: IRI





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PPLPC045000018313

To extend the core, we can launch new product lines for brands such as Slow-Mag and Betadine starting in 2017

	Slow-Mag 	Betadine 
Idea Generation	<ul style="list-style-type: none"> Develop male and female SKUs targeting different usage across genders¹ <ul style="list-style-type: none"> Sports nutrition focused SKUs for men, such as Magnesium+ Electrolytes Foot/leg cramp SKUs for women 	<ul style="list-style-type: none"> Develop specific SKUs for use by veterinarians Experiment with new delivery mechanisms (e.g., dry powder spray)
Product Launch	<ul style="list-style-type: none"> Grassroots marketing with key influencers (e.g., chiropractors, physical therapists, personal trainers) Expand distribution in specialty channels 	<ul style="list-style-type: none"> Leverage physician recommendations Cultivate influencers through demonstrations and sampling with med, vet and nursing schools

¹ Slow Mag Omnibus Survey Results (03.16); n = 1,007; physician interviews confirm cramping complaints are dominated by females

Once Purdue has developed its core capabilities, we can acquire under-managed brands and drive value creation to **transform** the OTC business

	Company	Brand	Description	Positioning / key claims	'15E net sales (\$M)
GI			Stimulant laxative (senosides)	Trusted treatment for gentle, overnight relief	\$16
			Foaming antacid (aluminum hydroxide and magnesium trisilicate)	For fast-acting, long-term heartburn relief; doctor-recommended	\$22
GI / Supplements			Methylcellulose Fiber	The only fiber for regularity that won't cause excess gas	\$26
			Dietary supplement tablets containing lactase enzyme to enable dairy digestion	Contains the natural enzyme you need to digest dairy, so you can enjoy dairy whenever and wherever	\$27
ENT			Microfoam to remove excess earwax (carbamide peroxide)	America's #1 Trusted Earwax Removal Brand	\$15
			Key product is Lipo-Flavonoid Plus, a flavonoid supplement for tinnitus	Extra strength proprietary formula with guaranteed results	\$42

These efforts together are expected to yield at least \$80M in incremental, cumulative net sales by 2020

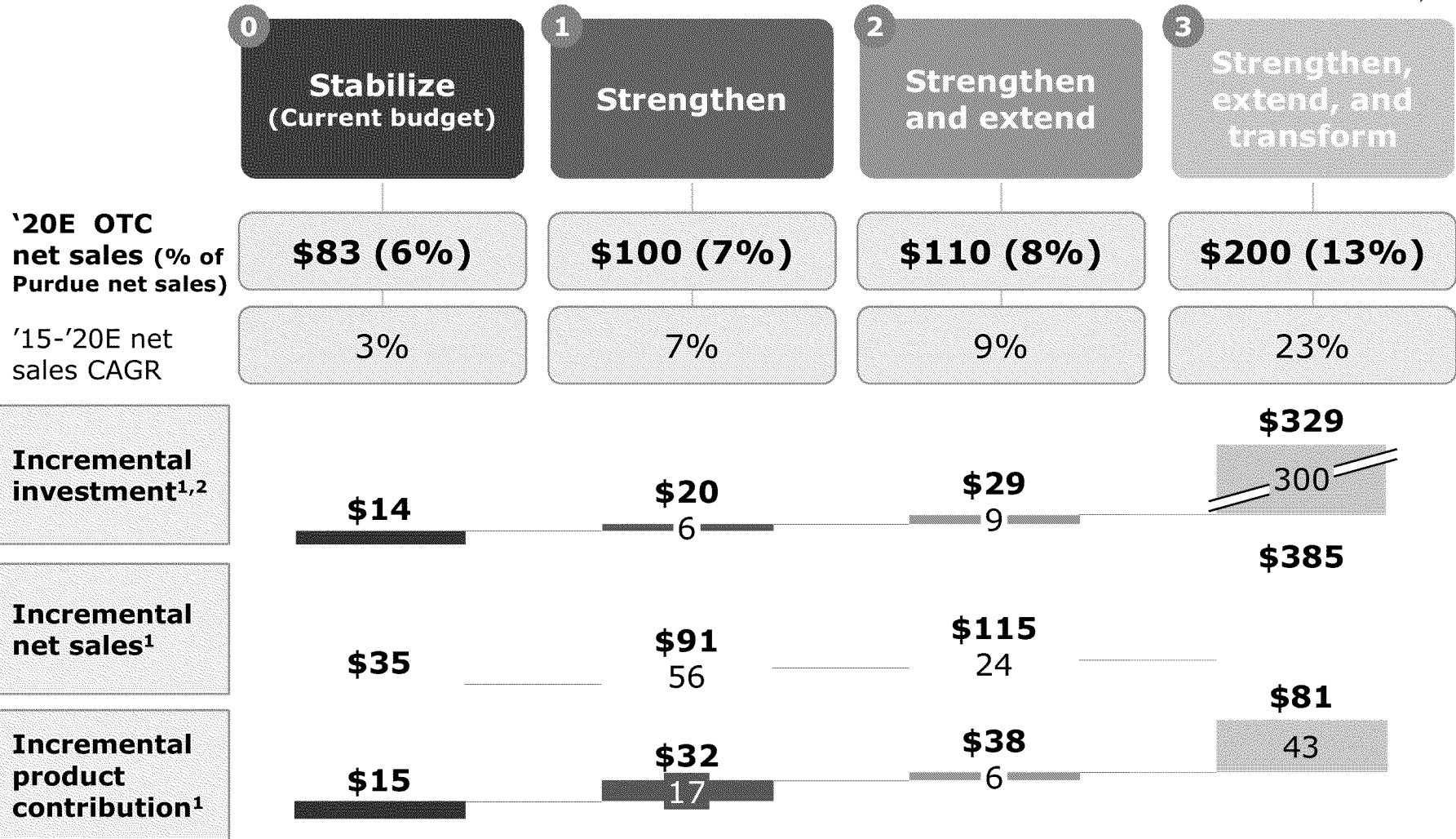
\$ in Millions

Progress made by

2017

2018

2018-19



¹ Cumulative 2016E-2020E; figures are incremental to 2014 budget

² Represents pre-tax investment (includes S&P, R&D, and deal-terms)

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Purdue should focus on strengthening and extending the core to prepare for a potential future transformative acquisition

2009-2014

- Purdue's OTC business grew at a **slower pace** than the industry

2015

- Board granted us an **additional \$14M** to spend over 5 years to **increase cumulative sales \$35M by 2020**
 - Achieved **\$4M** by end of year (6% net sales growth)

2016

- Identified high value-added capabilities that could **strengthen the core** and increase revenue to **\$100M by 2020**
 - 2016 focus is on building out these capabilities

Early 2017

- Begin to realize benefits of capability investments in 2017
- Pursue tuck-in acquisitions and line extensions starting in 2017 to **extend the core** and yield revenue of **\$110M by 2020**

2017-2020

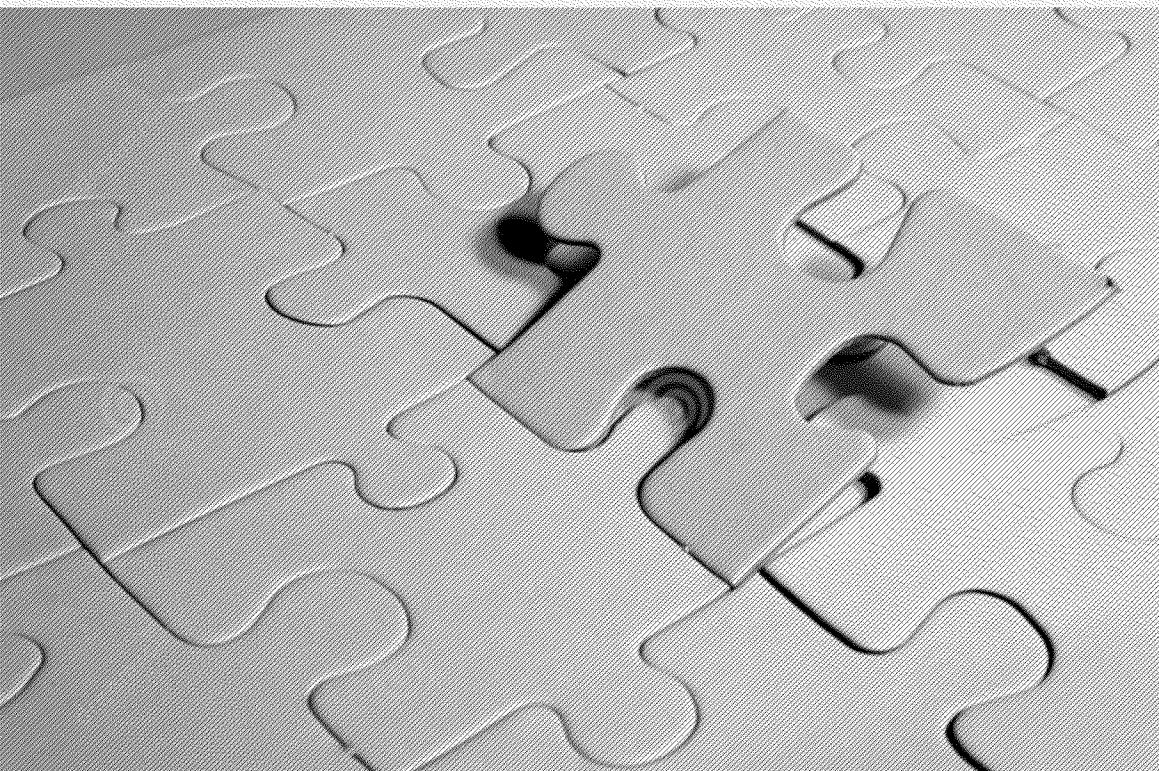
- If business has proven that it can support organic growth, integrate material **M&A transaction by end of 2018** to increase revenue to **\$200M by 2020**

2016 Mid-year Agenda

June 8, 2016

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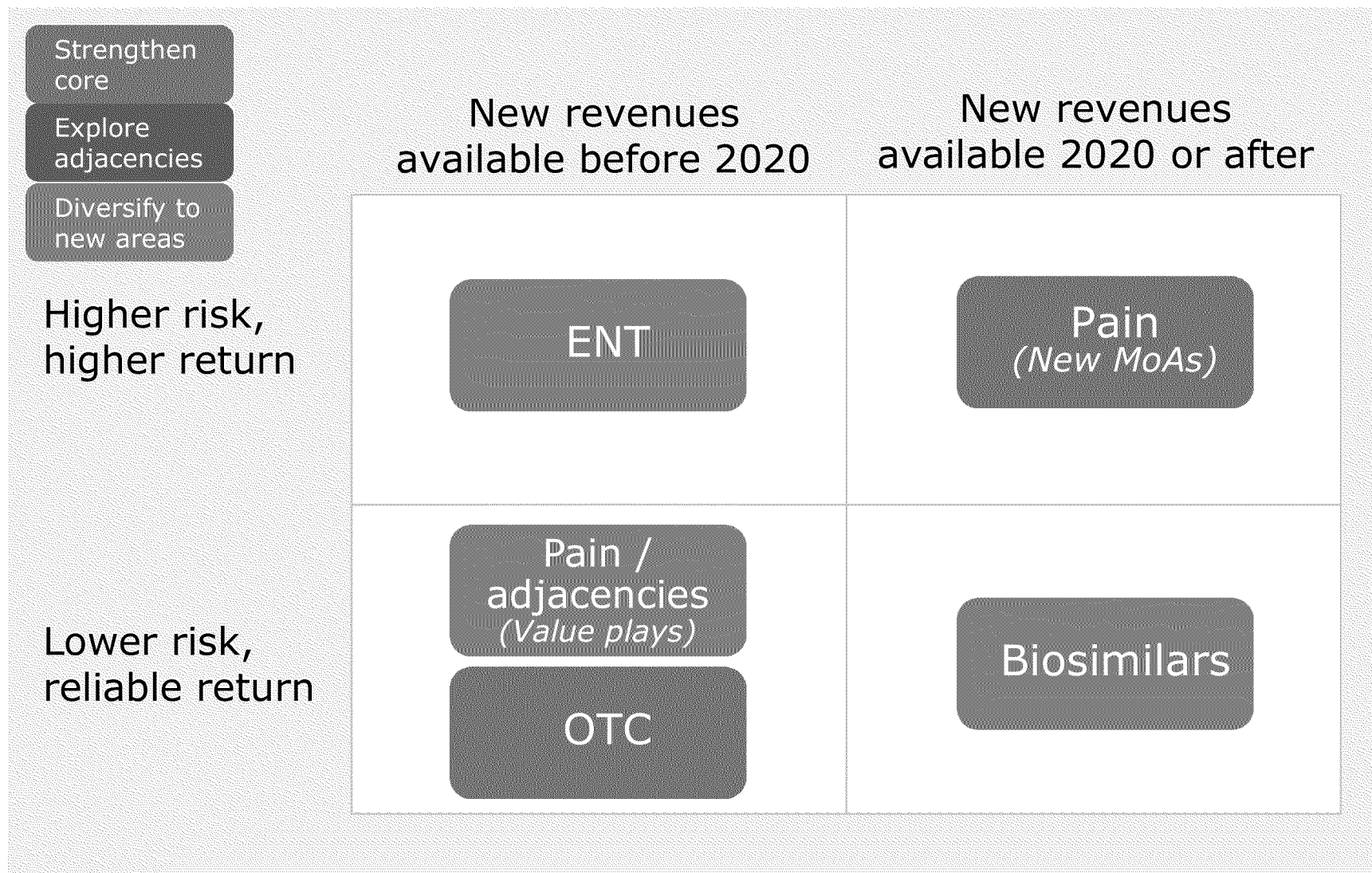
BD Priorities

Alan Butcher

June 8, 2016

In the long term, we aim for a balanced portfolio

Seeking revenues across multiple categories with a range of risk profiles



Approvals
requested
this week

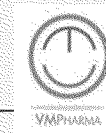
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Strengthen
core

Strengthen our core
in pain with assets
that **add depth and
breadth** to our
portfolio

Internal projects

- BOX
- TrkA
- Buprenorphine 2nd gen
- Nav 1.7
- TRPV1
- Sigma-1



AnaBios
Redefining first in human

SHIONOGI INC.

ESTEVE

Explore
adjacencies

Acquire opportunities
in **high need areas
adjacent to pain**
and add value with
current capabilities

- Lemborexant
- OAG

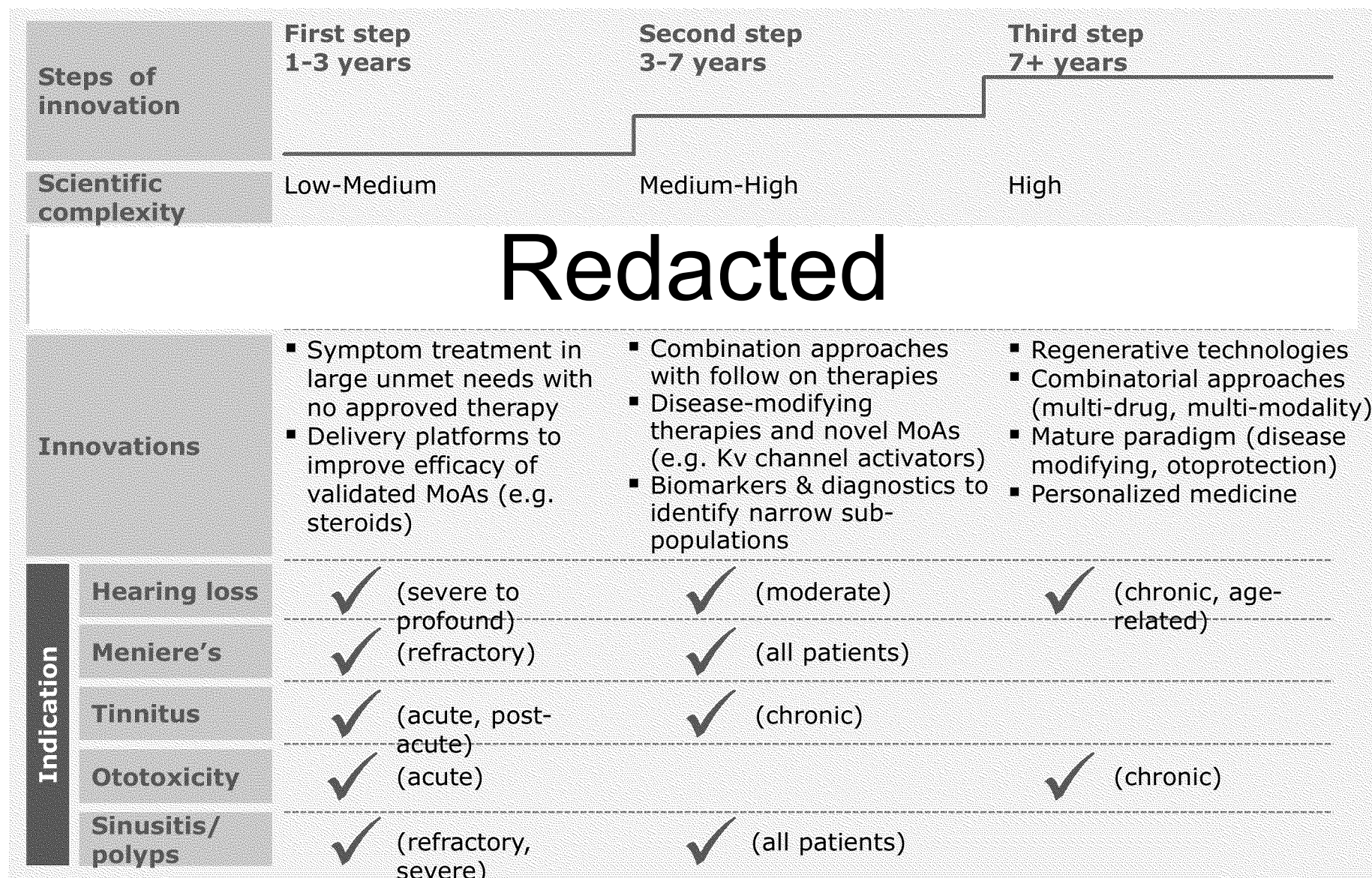


Diversify to
new areas

**Diversify into
therapeutic areas
outside of pain** by
strategically entering
attractive markets

Purdue is pursuing a step strategy to build a portfolio within ENT

We are committed to sourcing innovative therapeutic approaches for diseases of the ear



2016 Mid-year Agenda

June 8, 2016

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Our R&D Vision

*"Securing a Predictable
Future for Purdue"*

Alan Dunton, M.D.

June 8, 2016

Key Questions for Purdue

- 1 How will R&D create value?
- 2 What are the key capabilities?
- 3 What are Purdue's specific needs?

Deliver a sustainable pipeline that yields a predictable flow of products in seamless alignment with Business Development, other global initiatives, and the IACs.

A Phased Approach

- Immediate focus on delivering late-stage assets to solve the impending patent cliff
- Simultaneously build capabilities to source and develop differentiated early stage assets

Key Capabilities

- Enhance Virtual Discovery
- Build Translational Medicine Expertise
- Enhance Phase IIb / III Engine
- Implement Development Planning & Governance
- Build (Re)Formulation Expertise

Multiple models exist with varying levels of focus across development stage and therapeutic area

Model

Value Creation Strategy

In-House End-to-End Innovation Capability



TA(s) focus		Drug discovery	Preclin.-Ph 2a	Ph 2b-Filing
	Core			
	Adjacent			
	Opportunistic			

Innovate on Early-Mid Stage BD&L



TA(s) focus		Drug discovery	Preclin.-Ph 2a	Ph 2b-Filing
	Core			
	Adjacent			
	Opportunistic			

Commercialize Mid-Late Stage BD&L



Legacy business

TA(s) focus		Drug discovery	Preclin.-Ph 2a	Ph 2b-Filing
	Core	Virtual		
	Adjacent			
	Opportunistic			

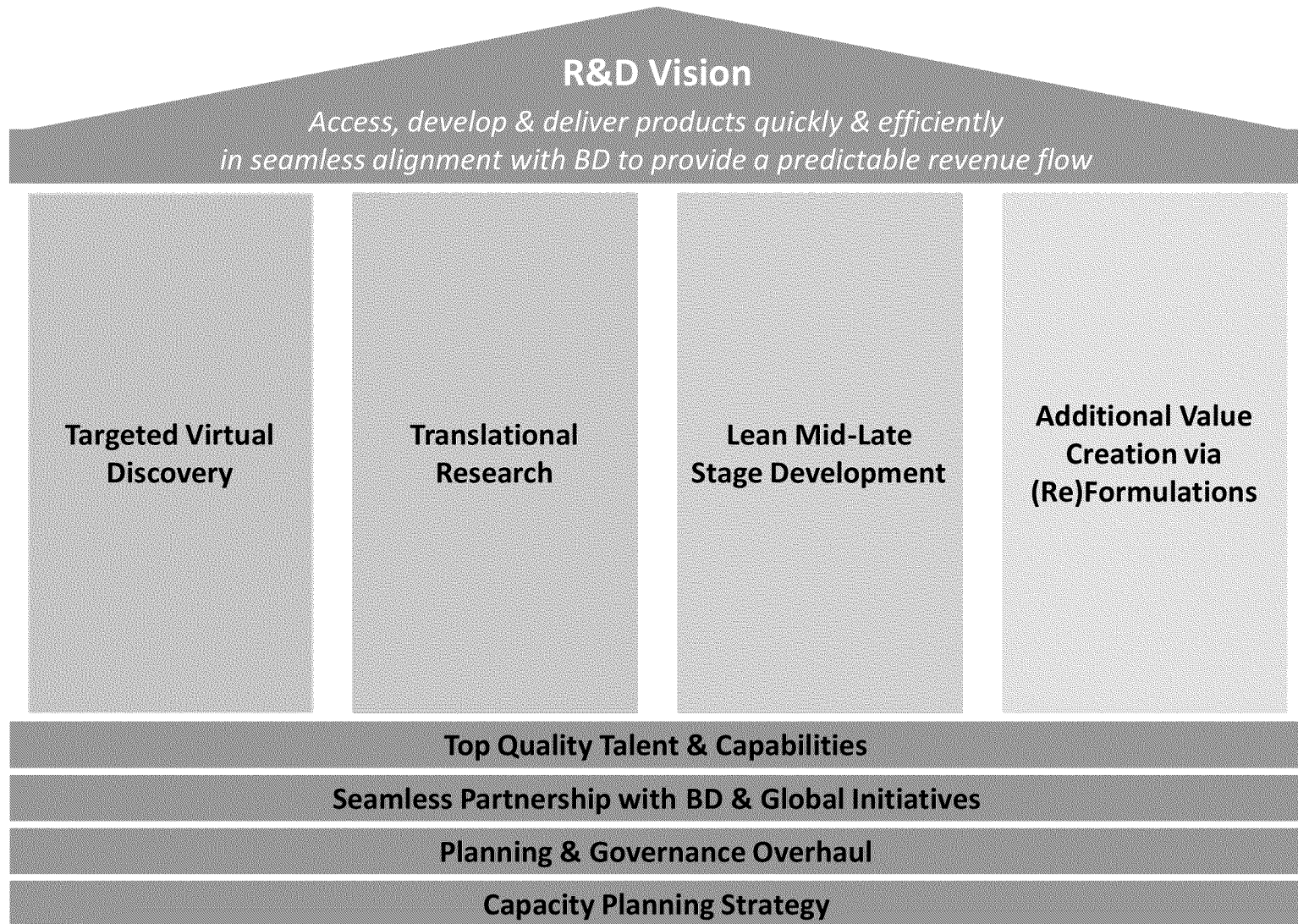
Level of focus:

High

Med

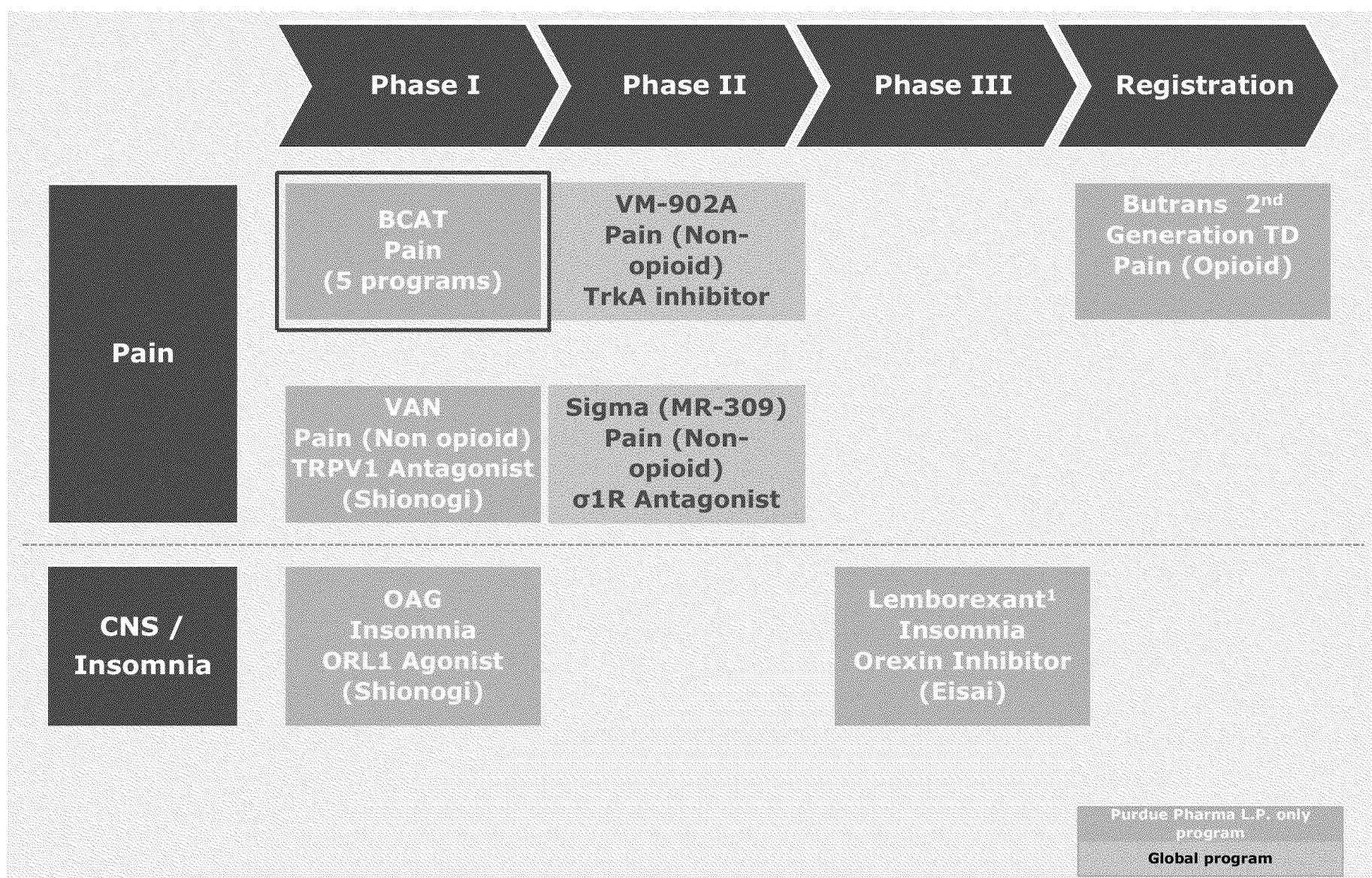
Low

Purdue's R&D vision includes a core set of capabilities that need to be built or improved in the near term



Purdue's Pipeline Has Recently Expanded, But Significant Work Remains to Be Done

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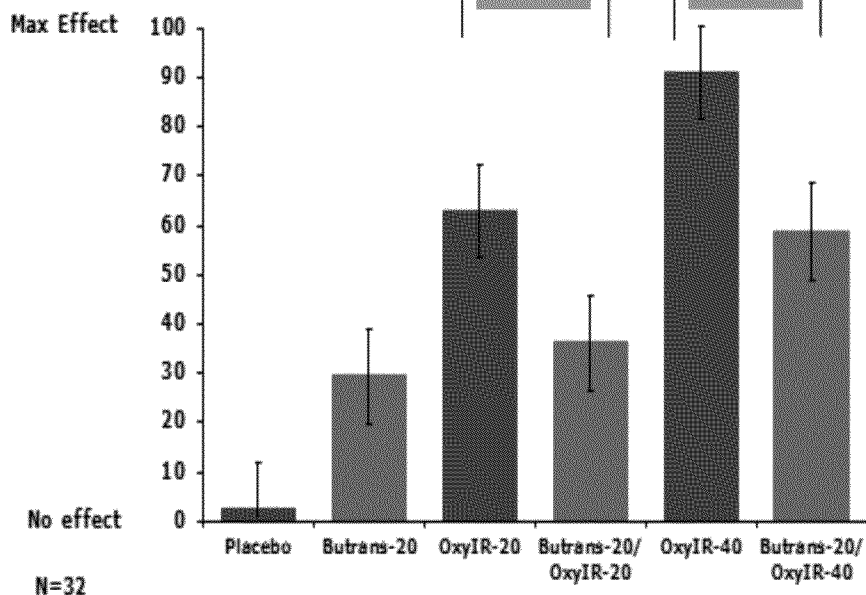


Realizing The Promise of Buprenorphine-Oxycodone Will Require World-Class Translational Medicine

Abuse Potential Reduced

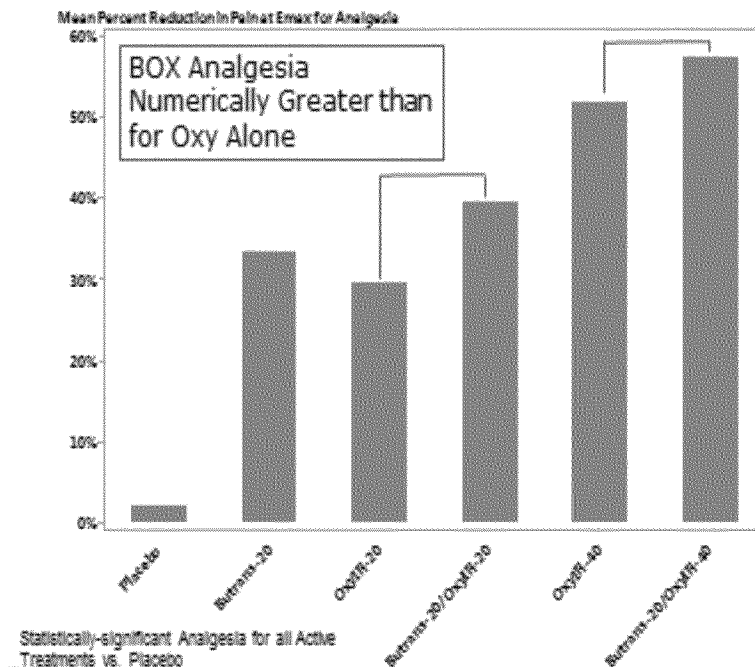
BOX1001 - Abuse Potential, Study 2 & Study 3 Combined Results
Mean (95% CI): Feeling High, Emax

BOX treatments show reduced Drug Liking



Analgesia Maintained

BOX1001 - Analgesia Assessment, Study 3 Results (N=16)
Cold Pain Test: Mean Percent Reduction in Pain at Maximum Analgesia



Our vision addresses the key areas within Purdue requiring significant capability improvements

Virtual Discovery / Licensing

- Hire Additional Virtual Discovery Experts
- Build VC & University Partnerships
- Secure Early-Stage Asset Enabling Technology Funding

Translational Medicine

- Hire Translational Medicine/Clinical R&D Expertise
- Access New Protocol Design Technologies

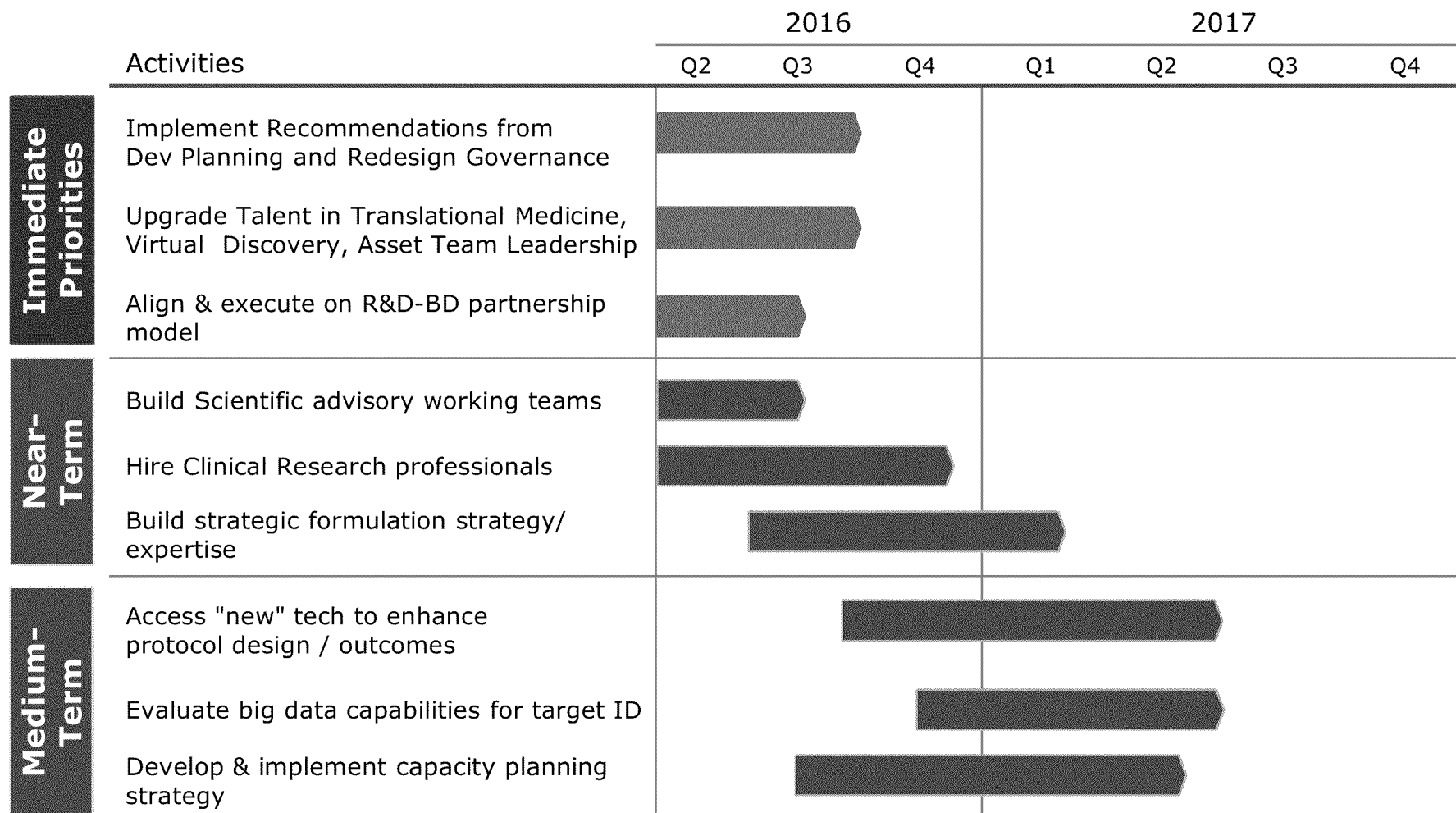
Innovative (Re)Formulations

- Build Strategic Formulation Capabilities

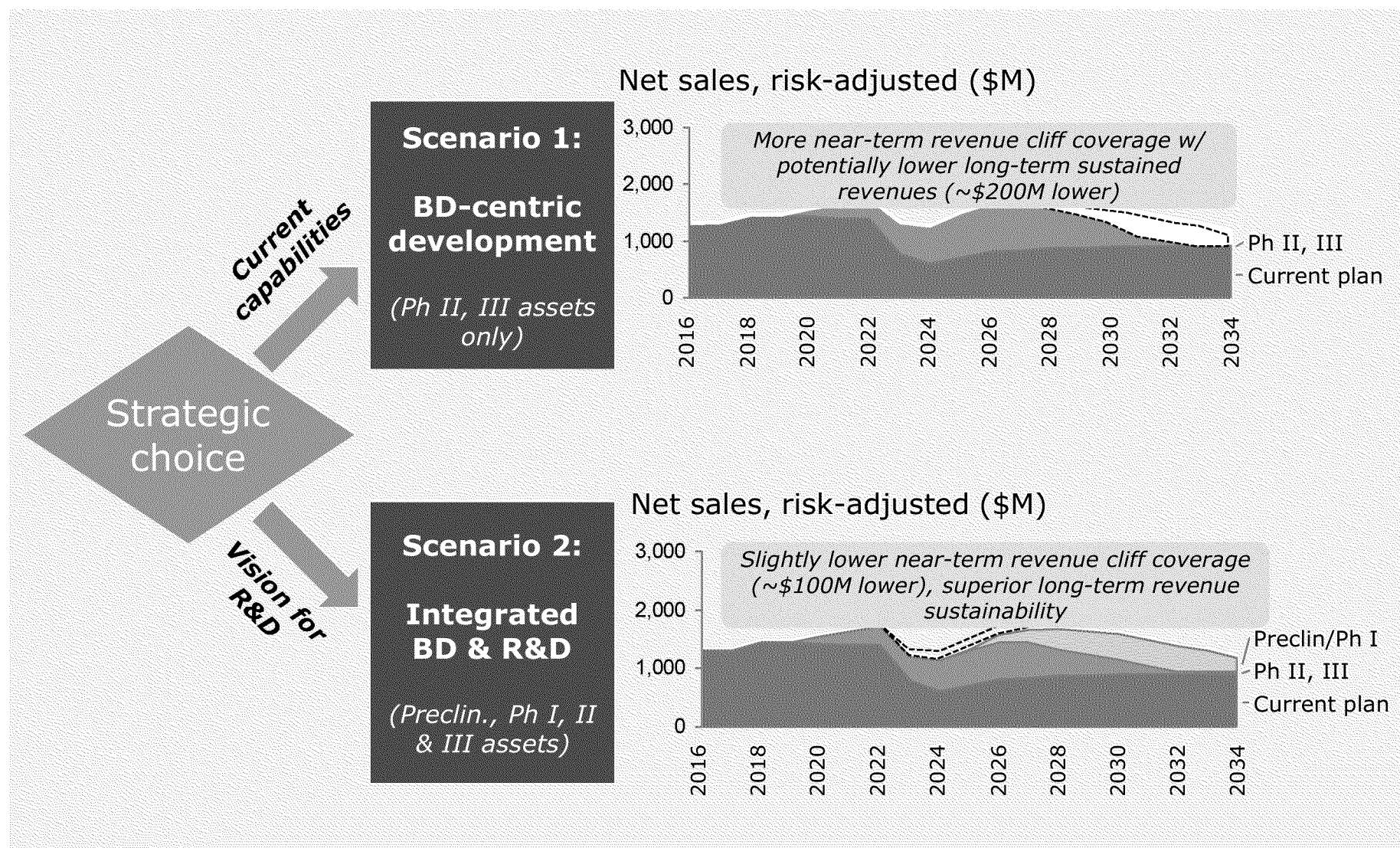
Key Enablers

- Implement our Redesigned Development Planning & Governance
- Establish Seamless R&D / BD Partnership Model
- Assemble TA-Focused Scientific Advisory Teams
- Identify Creative PoC & Post-PoC Regulatory strategies
- Develop Capacity Planning Strategy

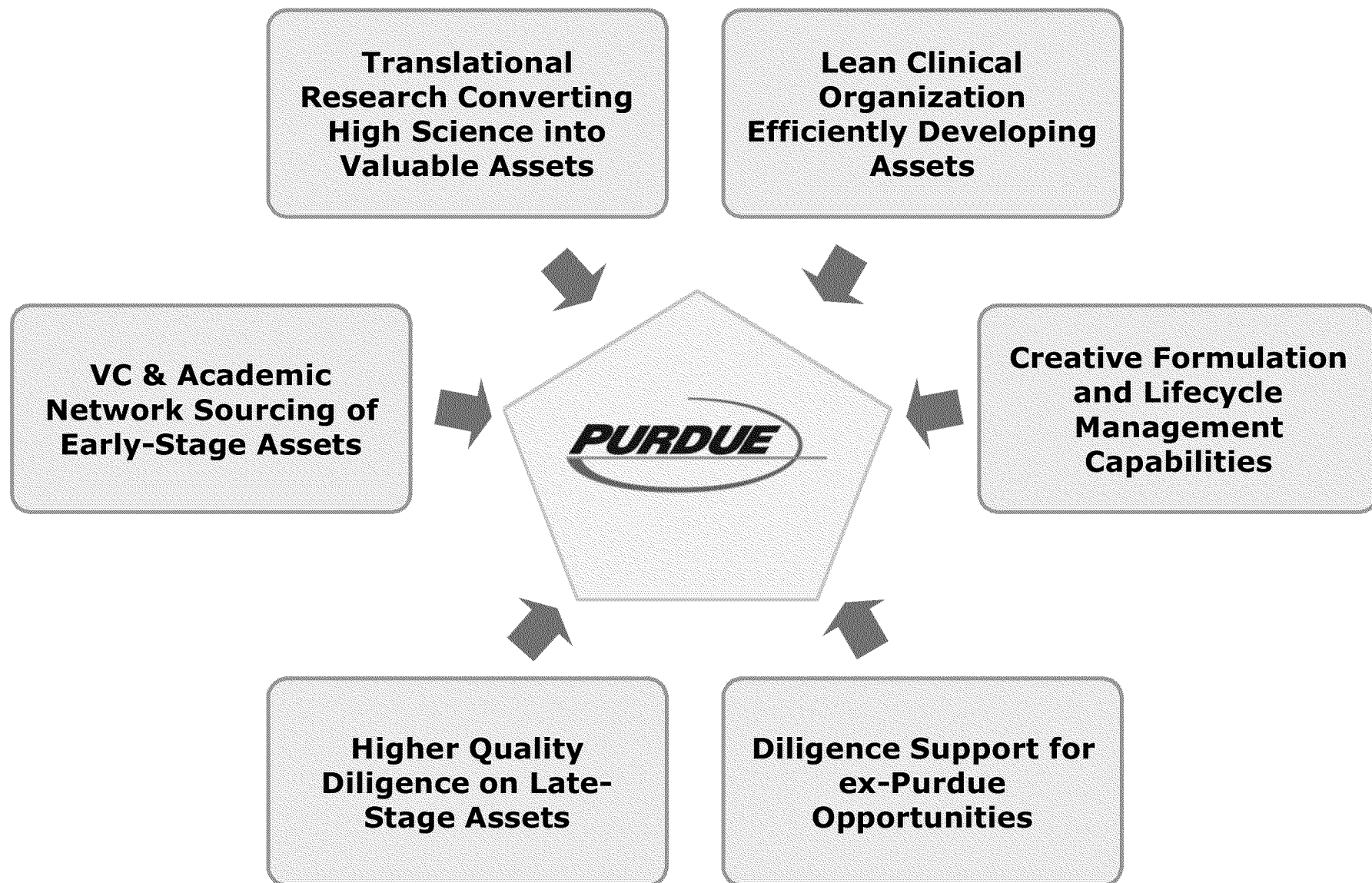
Our phased implementation plan prioritizes a development engine, talent upgrade, and BD/RD collaboration



Improved R&D capabilities and seamless integration with BD are the keys to sustained long-term revenues



How Purdue R&D Will Create Value





Our R&D Vision

*"Securing a Predictable
Future for Purdue"*

Alan Dunton, M.D.

June 8, 2016

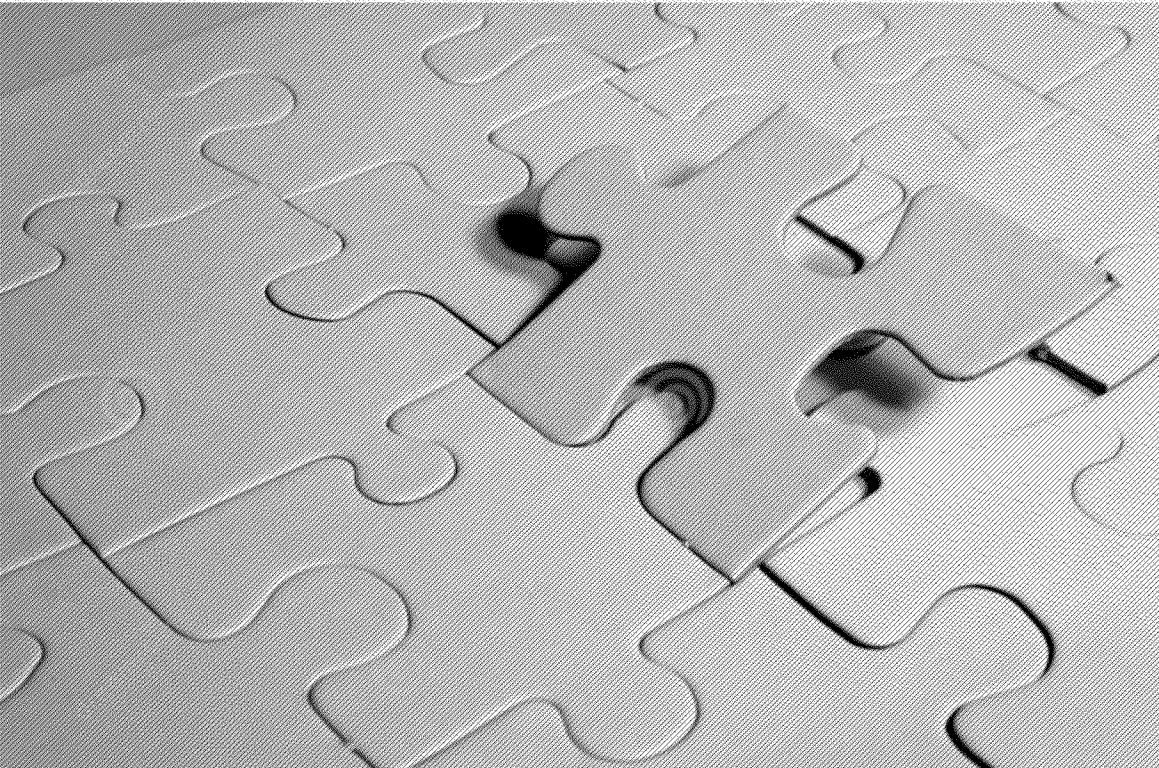
**Thank you. May we have your
support?**

2016 Mid-year Agenda

June 8, 2016

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Financial Outlook

JJ Charhon

June 8, 2016

Executive Summary

- Operationally, **2016 still is on track** vs. Budget for Sales, Profit and Cash
- \$300M Operating Margin upside mostly due to CMS' ruling on line extension definition
- **Profit & Cash Flow planned to be flat** over next 5 years despite -2% Sales CAGR
- **5-Year Sales Outlook -\$258M lower than November 2015** view due to
 - Butrans revised LOE to 2018
 - Discontinuation of MSR/HCA development programs
 - Lower short/medium term expectations for Hysingla
 - Despite slower erosion than originally anticipated for OxyContin
- **5-Year Profit and Cash Outlook in line with November 2015 view** thanks to - \$289M operating expense reductions including a -\$195M reduction in sales & promotion costs
- Long term Plan still calls for **\$2.0 - \$2.5Bn of Investment over the next 5 years** to maintain current sales level (and profit) over the next 10 years
- Executing on all recommended BD opportunities should deliver desired long term financial profile, but would leave **limited additional capital capacity before 2019**

- 2016 Financials – Latest Estimate
- 5 Year Plan – Net Sales and Financial Overview
- Longer Term Planning

- 2016 Financials – Latest Estimate
- 5 Year Plan – Net Sales and Financial Overview
- Longer Term Planning

<u>\$M</u>	YTD Actual	Variance to Budget	<u>Highlights</u>
Net Sales	549	30	<ul style="list-style-type: none"> Net Sales favorability driven by OxyContin of \$30M due to AG impact/trade inventory of \$17M and share/mix of \$20M offset by lower market volume of \$8M
Gross Margin	488	25	
% of Sales	89%		
S&P	(87)	13	<ul style="list-style-type: none"> S&P favorability due to vacancies and timing of promotional spend
R&D	(22)	8	
G&A	(45)	(0)	
Legal Fees	(14)	2	<ul style="list-style-type: none"> R&D due to accrual true-ups
Medical Affairs	(12)	1	
Other	(15)	(3)	
Operating Expenses	(194)	20	<ul style="list-style-type: none"> Other variances are minor and largely due to timing of spend.
Incentive Bonus	(13)	0	
Operating Margin	280	45	
% of Sales	51%		

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Full Year 2016 P&L Outlook - LE vs. Budget Key Changes

\$M	Net Sales	Profit Before Tax
2016 Net Sales favorability driven by OxyContin (+\$36M) ¹ and Butrans (+\$15M) ² offset by Hysingla (-\$10M) ³ and Other (-\$1M)	40	37
Reversal of 2015 and prior accruals related to Medicaid Line Extension rebates of \$274M, net of branded pharma fee impact (\$12M)	274	262
Ex-USA Funding/ Other higher than budget		(83)
Total	314	216

- (1) Favorability of \$36M is driven by favorable share (+\$42M) and mix/tablets per Rx (+\$22M), offset by lower ERO market (\$22M) and CDC guidelines impact (-\$12M)
- (2) Favorability of \$15M is driven by no AG (+\$21M) offset by lower ERO market (-\$3M)
- (3) Unfavorability of \$10M is driven by lower ERO market (-\$1M), lower share (-\$1M), mix/tablet per Rx (-\$4M) and inventory (-\$3M).

\$M	2016 LE	Variance to Budget	Variance to 2015 Actual
Net Sales (before Proposed Rule Impact)	1,357	40	(475)
Proposed Rule Accrual Reversal	274	274	274
Net Sales (after Proposed Rule Impact)	1,631	314	(201)
Gross Margin <i>% of Sales</i>	1,462 <i>90%</i>	311	(162)
Operating Expenses	(694)	(11)	(14)
Incentives & Settlements	(40)	-	(24)
Operating Margin (after Proposed Rule Impact) <i>% of Sales</i>	728 <i>45%</i>	300	(200)
Operating Margin (before Proposed Rule Impact) <i>% of Sales</i>	454 <i>33%</i>	26	(474)

2016 Operational Performance on Track Vs. Budget
\$300M+ Sales and Profit Favorability mostly due CMS' rebate reversal

<u>\$M</u>	Risk ⁽¹⁾	Opportunity ⁽¹⁾
Net Sales		
10% OxyContin AG carryover from 2016 to 2017		45
CDC guidelines	(12)	3
Competition	(30)	30
Blended rebate rate 1% delta	(20)	20
Hysingla net sales adjustment to demand based accounting		10
Subtotal	(62)	108
Operating Expenses		
R&D accruals true-up		8
Total	(62)	116

(1) Gross Margin impact of net sales risk / opportunity

Balanced Risks & Opportunities
Up to \$45M of AG Volume could carry over to 2017

<u>\$M</u>	
Cash at 12/31/2016 per Budget	939
Free Cash Flows (includes \$48M of 2015 overperformance)	125
Letter of Credit not required for ^{Redacted} covenant	100
Proposed Rule (\$250M less higher taxes of \$125M)	125
Kentucky	38
Ex-US Funding (includes \$91M from prior period)	(174)
Partner Non-Tax Distributions	(168)
Higher Tax Distributions	(22)
	25
Cash at 12/31/2016 per LE	964

Net Cash Change still in line with Budget

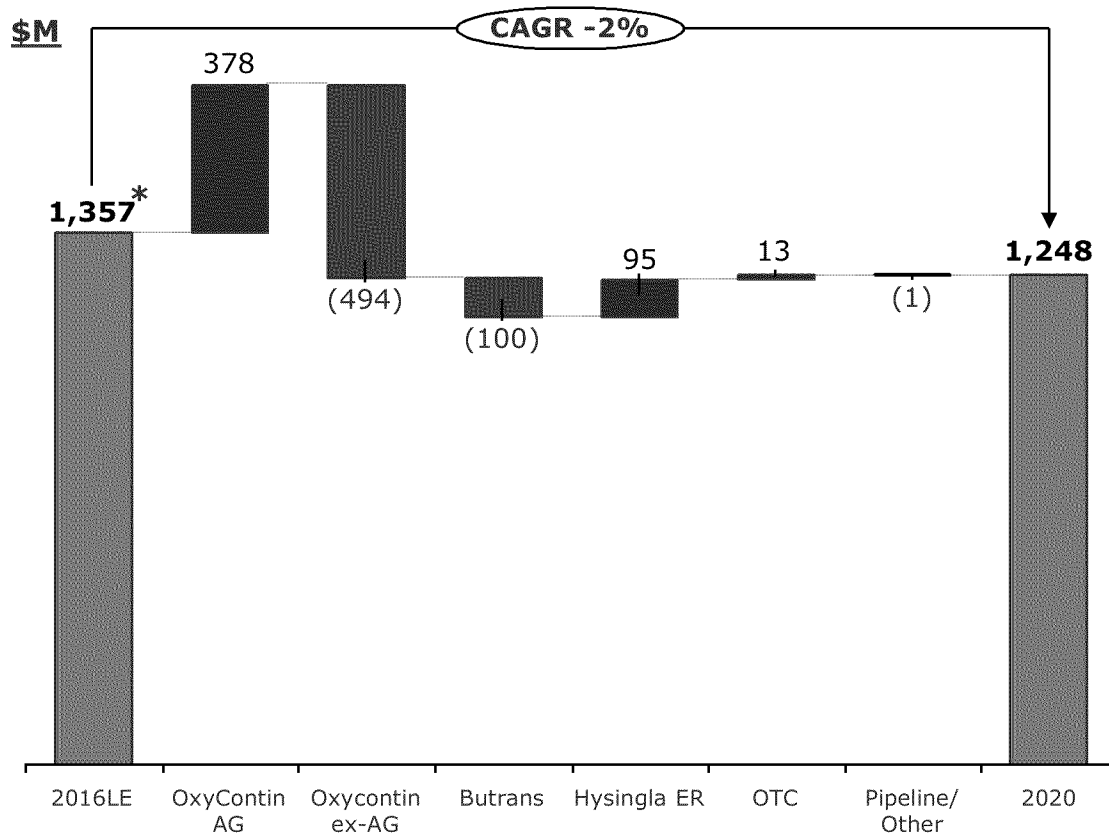
- 2016 Financials – Latest Estimate
- 5 Year Plan – Net Sales and Financial Overview
- Longer Term Planning

Profit & Loss and Cash Flow Metrics, YoY

\$M	2016 LE*	2017	2018	2019	2020	CAGR 2016-2020
Net Sales <i>YoY</i>	1,357 (475)	1,412 55	1,276 (136)	1,264 (12)	1,248 (17)	(2%)
Gross Profit <i>% of net sales</i>	1,188 88%	1,218 86%	1,102 86%	1,092 86%	1,079 86%	(2%)
Operating Expenses <i>YoY</i>	(694) (14)	(749) (55)	(674) 75	(605) 69	(554) 51	(5%)
Operating Profit Margin <i>YoY</i>	454 (475)	429 (25)	388 (41)	451 63	492 41	2%
Cash from Operations <i>YoY</i>	469 (456)	499 30	410 (89)	487 76	515 29	2%

* To allow better comparison, 2016LE does not include the Proposed Rulerebate accrual reversal of \$274M.

Operating Profit Margin and Cash from Operations are maintained at 2016 level through 2020 despite eroding Net Sales



Key Drivers By Brand

- OxyContin decline of \$494M due to ERO average 3.1% Rx decline (-\$161M), competition driving share decline of 4.3% (-\$260M), mix/tablets per Rx (-\$82M) offset by price (+\$31M)
- Butrans decline of \$100M due largely to loss of share due to generic entry in Q2 2018 (-\$56M)
- Hysingla increase of \$95M driven by an increase in share of 1.0% to 2.5% (+\$82M)

* To allow better comparison, 2016LE does not include the Proposed Rulerebate accrual reversal of \$274M.

Net Sales \$109M lower due to net decline in OxyContin (\$116M) and Butrans (\$100M), partially offset by Hysingla (\$95M)